





THE  
GEORGE WASHINGTON UNIVERSITY  
NAVY GRADUATE COMPTROLLERSHIP PROGRAM

PRINCIPLES OF ORGANIZATION  
AND THE U. S. NAVY

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January 1955



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## INTRODUCTION

The complexities of modern warfare has emphasized more than ever before the importance of a well-armed, well-manned, and well trained Naval Organization as an instrument by which security of the Nation may be insured. In any discussion of the Naval Organization it must be remembered that, basically, and perhaps too simply indicated here, there are three component parts of the so called Naval Establishment-the men who man and operate its fleet, the supporting shore establishment and the men who direct its successful course from the Navy Department in Washington.

In order that these three component parts may operate with maximum effectiveness it is imperative that they be a part of a well founded, sound organizational structure. It is the purpose of this term paper to discuss some of the principles of organization and to see how they fit in with the present organization of the U. S. Navy.



## CHAPTER I

### A SUMMARY OF THE BACKGROUND OF ORGANIZATION AND MANAGEMENT

In any discussion of present day business, an examination of business from the viewpoint of organization and management is imperative. The field of business organization deals with two relationships - internal and external. The arrangement upon which is established the relationships between persons, functions, and the physical resources of a concern are considered to be the internal relationships. The external relationships upon which business is dependent on its successful operation is more complicated to define since business must yield to pressures of economic forces not of its own choosing - forces which spring from such facts as natural resources, climate, racial characteristics, standards of living and of the competition of persons in a similar business.

Essentially, business is an activity between two or more persons who are engaged in the exchange of goods or services and who are desirous of a mutual gain. This has been the history of civilization! This has been the record of people seeking to better themselves through the medium of exchange!





In ancient times only a relatively small proportion of the total population were engaged in what we now call business. The reason for this condition is clear when we consider that these people by circumstances were self-sufficient. Even though distances separating one social group from another was small, little was known of ones neighbors because of the difficulties in transportation and communications. There was little or no medium of exchange beyond that of the simple barter. Governments and laws as we know them were unstable, the forces of nature in the development of power was lacking, and production was limited to the skills of the handicraft.

The ancient businessman was an adventurous soul; he was willing to take risks for future gain. There were the risks of sea, which eventually developed into the main highways of trade; and where trade lay overland the trader had to contend himself with bands of robbers. It is little wonder, therefore, that the gains sought by these men were commensurate with the risks taken and, also, that over a period of time they had earned for themselves an unenviable reputation.

This is, of course, only one side of the coin. These men had their virtues for in the long run they opened up new avenues of communications, permitted exchange of goods and ideas, and led the way to the future development of society.

During the existence of the Roman Empire, there was developed associations of individuals for the purpose of carrying on



business. These associations were very similiar to our present day cornorations. They consisted of at least three persons whose individual rights were different from those rights which they had as a body. It, as a body, could own property, sue, carry on trade, borrow and otherwise carry on any other trade activities in its own name. These associations continued until the dissolution of the Roman Empire when the associations themselves were limited only to religious and governing bodies.

In the Middle Ages a very important development occurred in the institution of insurance. This development had its beginning in Italy where a group of men signed a contract with the owner of a ship to insure the cargo carried. This developed later on to a mutual agreement between the traders and an organization of men who had the capital to insure cargo - thus maritime insurance companies were born. This was an important development as I've indicated above because here was the beginning of mutual trust and confidence so essential to permanence and progress in business. In order that the insurers could settle losses or take over damaged ships it was essential that they acquire knowledge of successful business practices, develop accurate records and be able to determine within a reasonable degree of accuracy the value of the cargo or ship. This was a tremendous stride toward the development of record-keeping and accounting procedures.

During this period of time three features of trade and industry occurred which had a bearing upon the further development of







organization and management. They were the appearance of the merchant guilds, craft guilds and the development of the so-called domestic system.

The merchant guilds consisted of organizations of merchants who desired to regulate the business of their members. Among their objectives were the discouragement of unfair competition; security of life and property of members traveling and trading at a distance; aid to members in need; and maintenance of the monopoly of retail trade in cities where the guilds were located.

The small craft guilds appeared later on and with their development the merchant guilds gradually disappeared. These craft guilds consisted of artisans, both employer and employee, who desired to restrict the number of persons engaged in a particular trade only to those persons who were a member of the appropriate guild. It sought to maintain standards of manufacturing, and it laid down rules governing wages and hours. Like the merchant guilds, the craft guilds were monopolistic in form.

The third feature of trade and industry and, perhaps the most important, was the introduction of the domestic system. This system was unlike the guilds system in which the artisan bought his raw material and transformed it into a finished product and then sold it to the customers on the spot. The domestic system introduced a new factor in the stream of production. This was the introduction of a new concept of manufacturing - the concept of the manager. The manager would buy raw materials and give them to



employees who performed the labor in their own homes. All tools and supplies were furnished by the manager and all expenses were paid by him and the laborers were paid on a piece-wage basis. Thus, the laborers had little or no risk in the business.

It is here that we can discern the beginning of the business system as we know it today. The manager now was no longer a skilled craftman but a man who devoted his attention to procuring raw materials, to the employment of labor, and to the market and sale of his goods. The only factor which prevented this new technique from being compared with present-day business was the lack of machinery.

However, although this domestic system gradually grew and raw materials, markets and trade were in abundance, it soon became apparent that there was a decided gap between the demand for goods and the ability to produce goods to meet this demand. It is at this point in our history that we have another development in business organization and management upon which our present day business could not operate. This development was the Industrial Revolution. This title is rather a misnomer because it implies that there was a spontaneous ever-night change over from a handicraft stage to a period into which was ushered vast quantities and types of machines. This is, of course, far from the truth. This change over was more of an industrial evolution taking place over several centuries during which technical discoveries and inventions were applied to the economic functions of society.





It is not difficult to see that together with the inventions of various types of machinery further simultaneous developments were being made in the fields of power, fuels, machinery design, chemical discoveries, metallurgy and marketing. The discoveries and exploration of the Western Hemisphere in the sixteenth and seventeenth centuries brought further market development which coincided with the expansion in trade and commerce. This expansion required financial resources and a development of organized enterprise on a scale hitherto for not known. Improved exchange and banking facilities were developed to facilitate financial and credit requirements. Business concerns which previously had been operating under the sole proprietorship concept gave way to joint-stock companies so that they might operate on a large scale basis. It is these stock companies which most nearly resemble present day corporations which will be discussed in the following chapters.



## CHAPTER II

### THE NATURE OF THE CORPORATION

Because of its dominance in economic activity, the corporation is the most important form of business organization in the country. It is upon this premise that the future discussion of the principles of organization will be based.

A corporation has been defined as "an artificial being, invisible, intangible, and existing only in contemplation of the law".<sup>1</sup> Being a creature of the law its life cannot be terminated except by consent of the state, i.e. the law. This implies, therefore, that it possesses the characteristics of perpetuity or immortality. It is created by the voluntary association of a group of individuals who, according to the laws of the state in which the business is to be incorporated, are able to fulfill prescribed requirements. Its life begins with the issuance of a legal charter in which are stated among other things:

- a) Name of the proposed corporation
- b) Purpose or purposes for which the organization is to be organized
- c) Location of the principal office of the proposed corporation

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<sup>1</sup>Owens and Kennedy, Accounting (New York; D. Van Nostrand Company, Inc., 1950), p. 284.

## CHAPTER II

### THE THEORY OF THE CONCEPT

The theory of the concept is a branch of logic which deals with the nature and function of concepts. It is concerned with the way in which concepts are formed, and with the way in which they are used to represent objects of thought. The theory of the concept is a branch of logic which deals with the nature and function of concepts. It is concerned with the way in which concepts are formed, and with the way in which they are used to represent objects of thought.

A concept is a mental representation of an object or a class of objects. It is a way of thinking about something. Concepts are formed by the mind, and they are used to represent objects of thought. The theory of the concept is a branch of logic which deals with the nature and function of concepts. It is concerned with the way in which concepts are formed, and with the way in which they are used to represent objects of thought. The theory of the concept is a branch of logic which deals with the nature and function of concepts. It is concerned with the way in which concepts are formed, and with the way in which they are used to represent objects of thought.

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- d) Period of time during which the corporation is to continue in existence
- e) Number of directors, and the names and addresses of the directors proposed for the first year
- f) Powers of the corporation
- g) Name and address of original stockholders <sup>2</sup>

Upon the issuance of a license authorizing the corporation to engage in business activity, the corporation becomes a legal entity. The corporation having received its life from the state has a definite responsibility to the public. Its ultimate justification is for the public welfare. In fact it is the stockholders who own the corporation by virtue of owning stock in the company. Just recently it was announced that the number of stockholders of American Telegraph and Telephone had passed the one million mark. Add this number to the other stockholders owning shares in all the other corporations and one would get an impressive figure notwithstanding the fact that more than one person might have ownership in several corporations. However, though theoretically shareholders are vested with the responsibility of directing and controlling the activities of the company, they are so spread out throughout the country that in practice this control and directing has been delegated to directors, officers and other members of the selected management group. It is true that in certain companies, e.g., Ford Motor Company, all the stocks are held by a very selected group who are also part of the top management team. This latter is called a closed corporation as opposed

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<sup>2</sup> Ibid., p. 288



to an open corporation in which ownership of stock is transferred easily and freely on the open market.

Two important qualities of any corporation are what is called management and organization. In a loose sense of the word management is sometimes referred to as those groups of people who make policy decisions for subordinates to act upon. The simpler the organization the more defined is the division between management and the employees. However, with large organizations it is extremely difficult to determine exactly where and at what level policy decisions are made and where they are executed into final form. It is necessary, in any event, to consider that in any organization management there are those individuals who furnish a group with the leadership to set out on a desired goal and that the actual accomplishment of this goal is performed by subordinates. In effect management has been defined as "a technique by means of which the purposes and objectives of a particular human group are determined, clarified and effectuated".<sup>3</sup>

Management is sometimes further divided into "administrative management" and "operating management". This division is based on the type of work performed so that the Board of Directors and the top executives are considered to constitute administrative management and the major executives, department heads and supervisors constitute operating management. Here again it is

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<sup>3</sup> Petersen and Plowman, Business Organization and Management (Chicago: Richard D. Irwin, Inc., 1949), p. 32.





sometimes difficult to lay down a firm line of demarcation between these two types or categories of management because in many cases the lower management has much influence in the administration of a corporation. In fact management cannot cut themselves off from their subordinates. To do so, they would deny themselves one of the greatest assets they have - the ideas of men.

The other quality of a corporation is organization. It is axiomatic that in every large scale enterprise many men are required to carry out the missions set forth. It has been proven that the best method of accomplishing this is by the division of work. Organization has to do with the structure of co-ordination imposed upon the work division units of an enterprise. It is a structural pattern for determining authority, responsibility, and accountability. It does this by providing necessary channels for the flow of all types of management communications and accountability controls to and from each group. How can we determine how a business shall be organized unless we know how the work is to be divided? This is the foundation of organization. In this aspect management is included in the word organization. Figure 1 shows in diagramatic form the relationship between management and organization. It is to be noted that the organization consists of all six elements which make up a corporation and that those who are charged for accomplishing its goal are included only in the top five groups. Stockholders are not considered in this group (although theoretically they, perhaps, should be) because as



indicated above they are too numerous and widely scattered and because they have delegated the responsibility for running a corporation to the appropriate members of the management team.

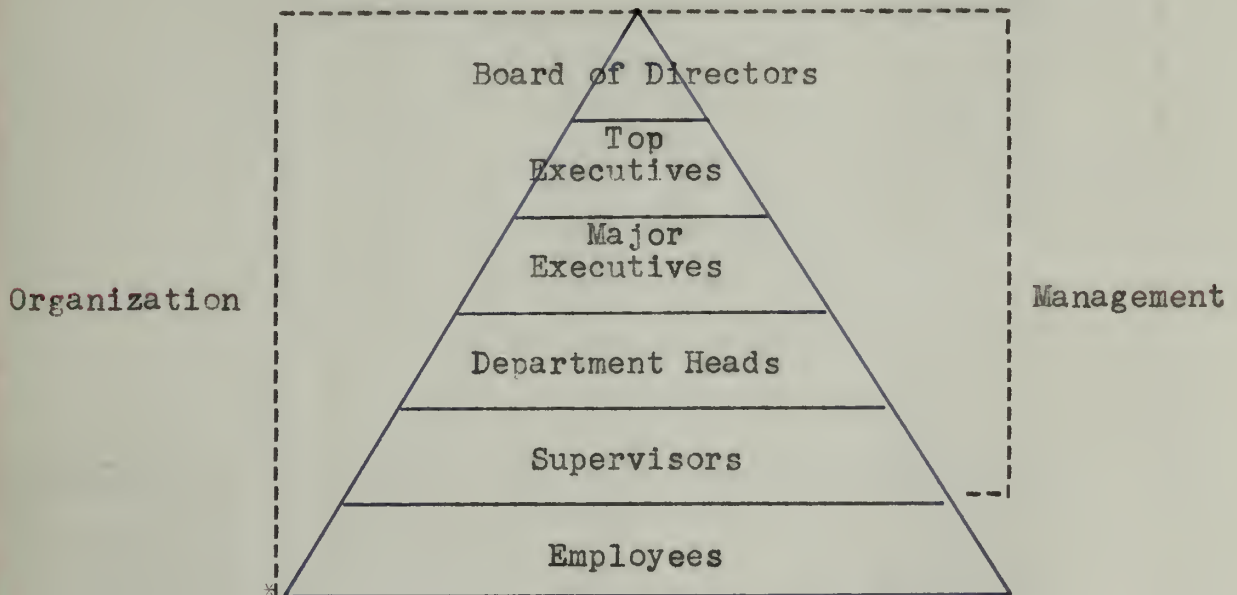


Fig. 1. - Relationship of Organization and Management

One of the best methods of showing a detailed organization of a business is by use of organizational charts. These charts, in a diagrammatic way, delineates responsibilities, authority, functions, provides a basis for expanding or contracting and indicates to other persons the lines of communications. Viewing Figure 2 one will see boxes or blocks which are connected by lines either vertical or horizontal. Each line represents responsibility in two ways - up and down. Viewed as a downward line, the line represents a delegation of responsibility and the authority which the principal exercises through his deputy. The line, viewed as an upward line represents the obligation which the deputy





Fig. 1. - A pyramid of six layers.



has to his principal. It is considered to be an anathema for one person to report or be responsible to two individuals. These charts are of three types:

1. Structural Organizational Chart - Identifies the relationship of one person or group of persons to the others. Figure 2. shows in diagrammatic form these relationships.

2. Functional Organization Chart - If, using the same diagram, the missions or functions of the officers were inserted in each block, we would have the second of these three charts.

3. Position Organizational Chart - Shows the names and position or rank of the officers.

It is possible and sometimes preferred not to show these charts separately but to have a combination of either two or three of them. This is usually done if the organization is comparatively small and the missions or functions of the individuals shown are not too lengthy.

As we can see an organization chart can be of great value to a person who wishes to view or attempt to obtain some comprehension of the organization of an enterprise. We cannot forget, however, that it is almost impossible to show graphically the responsibilities of each of the major officers of a large concern. To do so would so clutter up the chart and make its understanding so laborious that we would deprive it of its usefulness as a vehicle of rapid comprehension. The master organizational chart does not usually include every state or level of delegation but



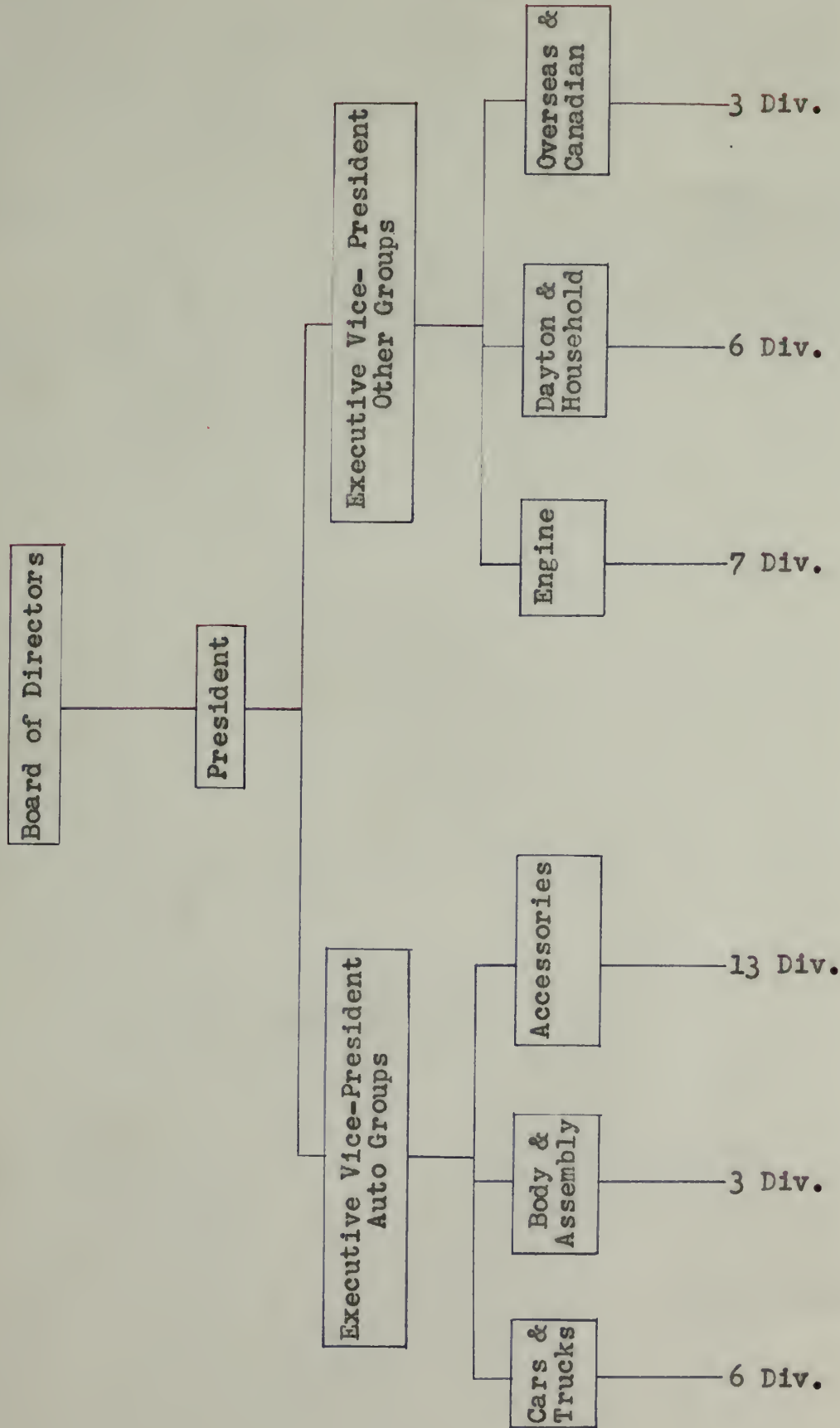


Fig. 2 - General Motors Structural Organizational Chart. Adapted from a lecture given by Mr. Hardy, Methods & Procedures, General Motors Corporation to the Navy Comptrollership Class in December, 1954.





includes only those officers who are considered to be in the management team. Individual departments may, however, have a detailed breakdown of their organization.

It must be remembered that an organization consists of people possessed with many personalities, skills, talents, and ambitions. An organization chart is only as good as the persons who make it up and the persons who perform within its meaning. Periodically, it is advisable to have a management engineering team make a study of the organization to determine if the organization as portrayed by the organization chart is as it should be. Sometimes it will be found that over a period of time and because of circumstances not readily discernible, that the organization has taken on an informal aspect (which might be for the better ) and that a formal change is necessary.



## CHAPTER III

### LEVELS OF ORGANIZATION

In the figure showing the organization of General Motors Corporation, a definite structural pattern can be found to exist. It is the arrangement of the executives with their varying ranks and duties into series of levels or strata, ranging from the Board of Directors who has the highest authority and responsibility down to those persons who supervise the workers. This pattern takes on a form of a triangle or pyramid so that as the enterprise increases in size so does the levels of management. Why do these levels exist? They exist for several reasons some of which will be discussed in the following paragraphs.

#### Span of Control

Because man has limited mental capabilities and because of the complexities of modern business, it is necessary that the manager delegate responsibilities and divide work among his subordinates. It is possible for a person to personally direct only a few persons in order to obtain the maximum results. This number will, of course, vary due in part to the differences in the capacities and the work habits of the individuals. These persons in turn direct other and so on down to the person who might be





called upon to actually perform the work. This "work" might be in the form of mental or menial. How many persons can be supervised depends on many factors - detailed knowledge of the job to be performed, the time involved, the energy necessary to get the job done, and in some cases the personalities of the individual involved. It is interesting to note that in the case of General Motors Corporation orders may emanate from the president and that this order may effect thousands of employees. The actual supervision of the work resulting from this order, however, will be delegated to the persons responsible in the various levels of management. It is further interesting to note that these orders would be very general in nature and that as they go downward in the chain of command or levels the supporting instructions will become more detailed.

#### One Leader

"A man cannot serve two masters" has been an accepted principle of human relations in everyday life. In management this principle is known as the principle of "unity of command".<sup>4</sup> A person working under the direction of more than one principle will be confused, inefficient, and irresponsible as opposed to one who receives his orders from one man. This person will be methodical, efficient, and responsible and will be a definite asset to the organization.

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<sup>4</sup> Luther Gulick, Notes on the Theory of Organization in Gulick and Urwick, Papers on the Science of Administration, (New York: Institute of Public Administration, 1937), p. 9.



### Line and Staff

We have pointed out above that in every organization there is one person who, by virtue of his position, leads that organization and who is ultimately responsible for the results achieved. There is a downward step in authority and responsibility from the highest official to the lowest subordinate. Each person in this structure is a "block" in the transmission of managerial orders, and the lines which join them are the lines of authority through which authority flows. In a small enterprise policy, decisions, and orders flow directly from the executive downward to his subordinates. Intermediate ranks may be few and the executive works very closely with his employees. This is the concept of line organization.

If this enterprise was to grow, the work involved would increase in volume, scope, and complexity. The burden which is imposed on the manager would be beyond his mental and physical capabilities and thus his "span of control" and his "span of knowledge" would be insufficient to enable him to carry out his tasks. He now reaches a point where he must delegate a certain amount of authority and responsibility to others so that the business may progress. Specialists must be hired to supplement his knowledge and to assist him. Thus a staff organization is born. This existence of a staff relieves the executive of the myriad details which he would ordinarily be confronted with. By its existence, this does not mean that he can cast off his respon-



# THE NEW YORK

The first section of the report is devoted to a general statement of the work of the Commission during the year. It is followed by a detailed account of the work of the various committees and sub-committees. The report then proceeds to a discussion of the work of the Commission in the various fields of its activity. The final section of the report is devoted to a summary of the work of the Commission during the year.

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sibilities to others. Such a divestiture is impossible since the duties of the executive are inseparable from his authority. Authority and responsibility may be delegated or assigned but they cannot be relinquished.

In some organizations this staff concept takes on the form of being a projection of the executive's personality in that the staff members speak and act directly for the principals to whom they are responsible. No delegation of authority is involved but they support their principals in name rather than in functions. This staff concept has a very interesting effect on the top executive's "Span of Control" in that it reduces his task of coordination. It does this in two ways. First, all the details of "command" is placed upon the shoulders of the staff. If orders are to be issued for a particular task to be performed, or if he wishes instructions to be prepared, the top executive has only to issue a broad outline of his desires. It is then the responsibility of the staff to make a complete study of the request, coordinate with other departments and otherwise ascertain that this order or instruction can be carried out. If, by their study, they discover an alternative method which is better than the original, it is their responsibility to bring this to the attention of their superiors. This is sometimes called completed staff action.

Second, after an order has been issued, the staff has the additional function of satisfying the superior that the order is being carried out. If any obstacles appear which might prevent





the fulfillment of the top executive's intention, the staff should iron out these obstacles. Thus, the staff relieves the commander of the detail of controlling.

A distinction between the duties of line and staff executives is sometimes difficult especially when the enterprise has a combination of both. It can be said that the staff officers are concerned with authority of ideas and that the line officers are concerned with authority of command.

#### Evolution of Staff into Functional Authority

We have developed thus far the growth of a business organization from its simplest form to a stage where the addition of a staff is necessary. We know that the staff executives are responsible advisors to their respective line superiors but how can we use their special knowledge or advice to corresponding staff members in a subordinate organization strata or to staff executives on their own management level? One concept was to have this flow of information or advice proceed upward to a common superior who had the authority to act upon the suggestion and then who in turn would issue instructions downward. This arrangement presents few problems as long as the business is of a small nature but as the business grows the management group will grow proportionately. The scope of its activities and complexity of the tasks to be performed will likewise grow and to follow the foregoing procedure will result in a method which will become cumbersome and wasteful in terms of time and energy. If we can straighten out this flow





of information we will find that another refinement of organization will be apparent. This refinement is the evolution of a staff into functional authority.

In this concept the staff members become executives and take on the broader responsibilities of a particular function in which they might be a specialist. They are, to be sure, the planners and the prescribers of methods and procedures within their own field. These staff executives are the principals of their own department and as a "block" in the organization owe allegiance to the chief executive. Again, taking the General Motors example, the Vice President-in-Charge of Body and Assembly offers his experience or that of his staff to any of the other automobile groups in the organization. He, in addition, is subordinate to the Executive Vice-President, Auto Groups. This officer then, commands his own group, is subordinate to his principal and offers advice to other groups. It should be pointed out that, ordinarily, this advice does not extend below the first level in which the advising department is located.

### Communication

We have indicated throughout this discussion that there are certain lines of authority and responsibility in any organization. These lines serve a further function of acting as channels of communication which should be followed. Each person in the organization has certain responsibilities and prerogatives which are jealously guarded. It would not do for a person outside a chain





of command to give orders or advice to a person in another chain of command. This would not only violate the principle of unity of command but may cause friction within the enterprise.

### Span of Knowledge

A level of organization which is closely associated with the span of control is the "Span of knowledge". As the name implies, it is the intellectual grasp or the amount of knowledge of pertinent information about an enterprise which can be comprehended by one person. It is apparent that the power which an executive can exercise over the company will be dependent upon his ability to encompass and understand problems or subjects which may come to his attention. Important as this attribute is, I believe that there is another quality which every successful business man must possess. In fact, I would go so far as to disagree with the theorists on organizational principles by placing common sense ahead of span of knowledge. This latter quality or feature implies, also, that the person in power should be one of tremendous capabilities in respect to memory and general knowledge of business practices. However, unless a person has the innate powers of analysis and synthesis, the ability to separate the chafe from the wheat, his position in the company will be one based on a weak foundation.

During the thirty odd lectures which were presented to the Navy Comptrollership Class in the past five months by representatives of big business, I have attempted to ferret out the one



quality which was common to all. I do not consider that being a mental giant was a common quality. I do consider, however, that they all possessed a quality of common sense and where they were lacking in intelligence or experience, they supplemented that deficiency by hiring appropriate persons within their own departments. In this way, perhaps, we can justify the presence of the quality of common sense in this section on the span of knowledge.

#### Span of Time

One of the causes of increasing the levels of management is the effect of "Span of Time". During our lives, we are forever budgeting our time so that we can either do a better job or be able to perform more tasks. Budgeting is therefore planning, and planning is a means of preventing waste. Whenever waste exists in an enterprise we have a deterrent to efficient management. Whenever an executive finds that the time required to perform an executive task is in excess of the time available, a new level of management must be added in order to maintain efficient service. This condition may exist when personnel are added to the business, where a plant expands, or when business increases.

#### Span of Energy

Just as the span of knowledge is closely associated with the span of control, so is the "Span of Energy" closely associated with the span of time. Here we go off on the same tack as we did in the discussion of span of time. Executives may find that their physical and mental endurance - their physical and mental





energies if you will - cannot cope with all the details of an executive's position. Here, we might find that the span of time plays an important part in determining when the tasks assigned exceed the energy of the person required to perform them. Like the span of time, when the span of energy is exceeded and further assistance is required, another level of management is added.

### Span of Attention

The last of the "spans" which we will discuss is the "Span of Attention", which is a phase of the span of energy. We have mentioned elsewhere in this paper that executives must not be bogged down with details to the point where their executive duties suffer. When the executive is bogged down with details, one of his important attributes, the quality of concentration, suffers. Here, again, another level of management may be in order.

In discussing the possibility of increasing the levels of management it is necessary to point out the burden which is imposed on the executive by this increase in the direct relationships between himself and those he supervises, and by the additional group relationships and cross-relationships.

Just why an executive already having four subordinates should hesitate before adding a fifth member to the group which he controls directly, becomes clear if it is realized that the addition not only brings twenty new relationships with him, but adds nine more relationships to each of his colleagues. The total is raised from forty-four to one hundred possible relationships for the unit, an increase in complexity of 127 per cent in return for a 20 per cent increase in working capacity.<sup>5</sup>

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<sup>5</sup>V.A. Graicunas, "Relationship in Organization", Papers on the Science of Administration (New York: Institute of Public Administration, Columbia University, 1937), p. 185.





## CHAPTER IV

### CENTRALIZATION AND DECENTRALIZATION OF MANAGEMENT

From our previous discussion of organization and management we know that all persons within that organization or enterprise must have a comprehensive knowledge of the lines of responsibility and authority in order that management may effectively carry out its mission. Only when they understand thoroughly their effective parts in the whole picture of management are the executives and other personnel able to devote their energies to the effective discharge of their proper functions.

An organizational plan should never be considered a static element but should be considered to be a dynamic thing, requiring continuous study, development, and adjustments as necessary to changing conditions. One of the studies which should be made in organization planning is the advisability of centralizing or decentralizing the control of management.

Centralization is a concentration of power or authority of the top executive or executive group so that the executive personnel become a very closely knit and highly unified organization. This "type" of organization usually is the result of either or

## CHAPTER II

### THEORY OF THE ORGANIZATION

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The first section of this chapter is devoted to a general discussion of the theory of the organization. It is divided into two parts. The first part is devoted to a general discussion of the theory of the organization. The second part is devoted to a general discussion of the theory of the organization.

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both of two factors - effect of a very dominant personality in the person of the top executive or it is a result of tradition, inheritance, loyalty or some character considerations. Whenever this force ceases to be effective, a condition of decentralization should take form. This change is not a dogmatic development but one which must very seriously be considered and studied by each individual enterprise. In this respect a company may proceed from a centralized position to a decentralized condition or vice versa. In any event the change over should not be taken too lightly.

The problem of centralization or decentralization evolves about three problems or considerations: First, how much authority should be placed in the hands of the top executive. Second, to what extent shall functions be centralized in a particular department and, lastly, should the activities of a business be dispersed or concentrated geographically.

In the consideration of these problems the criteria for a change from one type of organization to the other should be the development and maintenance of the best possible organization realizing, again, that present day business can not remain stagnant for long and survive in a world of fierce competition. In this regard a norm which is usually established is the factor of profitability and competitive success of the enterprise. Indeed, is this not the reason for which a company exists?

In actual practice only few of the large corporations







follow either extremes of centralization or decentralization. General Motors Corporation is a decentralized company in that each of its automative divisions acts as an autonomous unit. They bid on the open market for goods and services and each attempts to make a profit. To assist them the divisions have their top executives, staff and other necessary personnel who will be found in smaller corporations. However, one cannot forget that in Detroit are located the President and Board of Directors who are following very closely the progress of their "little companies" and where necessary would issue orders to rectify a condition deemed unsound. In this regard we may construe this largest of U. S. corporations to be a centralized decentralized corporation. If we were to examine other companies like Du Pont, Sperry Gyroscope, Johnson and Johnson and many smaller ones we would find that this condition of organization existed.



## CHAPTER V

### SUMMARY

We have, in this paper, attempted to show the development of corporations from early times to the present day. We have seen that because of limitations of human capabilities, the characteristic feature in the structure of a business enterprise is its stratification. These stratas or management levels were discussed from the viewpoint of the general limitation of span of control which was further broken down into spans of knowledge, time, energy, attention, and the concept of line and staff. In any organization, large or small, commercial or military, the one dominant factor which stands out above all things is the guidance which is given by the top executive. If he is a capable man one will be sure to find that his organization will likewise be one which will not fear the future.

In a subsequent paper to be submitted in May, I intend to further develop the principles of organization and management discussed herein, particularly, as it applies to the U. S. Navy. I will attempt to show how and why the U. S. Navy is the way it exists.





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